# APPENDIX A

## ORDER OF CALIFORNIA SUPREME COURT DENYING WRIT OF REVIEW

Petition for writ of review denied.

## APPENDIX B

Decision No. 71795

BEFORE THE
PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA

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| Investigation on the Commission's own motion into the rates, rules, regulations, operations, contracts, practices, services, facilities, equipment, securities, finances, and financial transactions of Vallecito Water Company, Suburban Water Systems, Calfin, Victoria Mutual Water Company, and San Gabriel Valley Water Company, corporations; and into certain transactions between said corporations and Camille A. Garnier, C. H. Dietz, Walker Hannon, R. H. Nicholson, Frederick R. Schumacher, William J. Hickey, Toll & Co., Security First National Bank, a corporation, (Whittier Branch), and Bank of America National Trust and Savings Association, a corporation. | Case No. 8086 (Instituted December 15, 1964) |

*William Lassleben, Jr.*, for Vallecito Water Company; Guy and Smith, by *Arthur D. Guy, Jr.* and *Walker Hannon*, for Suburban Water Systems; Brobeck, Phleger & Harrison, by *Robert N. Lowry*, for San Gabriel Valley Water Company; Gray and Maddox, by *Frank E. Gray* and *William R. Pippin*, for Calfin Co.; *Howard M. Downs* for William J. Hickey; and *Howard A. Coke* for Security First National Bank and Gerald S. Toll; respondents.

*Samuel D. Hale, Jr.*, for Frederick R. Schumacher, respondent and for Western Pacific Sanitation Company (Western Pacific Services), interested party.
*Cyril M. Saroyan* and *Raymond E. Heytens*, for the Commission staff.

## INTERIM OPINION

The Commission, on December 15, 1964, instituted this investigation on its own motion into the rates, rules, regulations, operations, contracts, practices, services, facilities, equipment, securities, finances and financial transactions of Vallecito Water Company, a corporation, (Vallecito), Suburban Water Systems, a corporation, (Suburban), Calfin, a corporation, Victoria Mutual Water Company, a corporation, and San Gabriel Valley Water Company, a corporation, (San Gabriel), (Victoria Mutual Water Company was inadvertently named as a respondent and no inquiry was made into its operations), for, among other matters, the following purposes:

1. To determine all the facts and circumstances surrounding the purported sale or transfer of shares of stock of respondent Vallecito to any of the other respondents.

2. To determine what steps should be taken by any or all of the respondents to avoid or rescind any such sale or transfer, and to issue an appropriate order or orders to effectuate such purpose.

3. To determine what transactions have been entered into by any of the respondents, or any other person, purportedly in reliance upon any such sale or transfer, and the good faith of any of the respondents in entering into any such transaction.

4. To determine what steps should be taken by any of the respondents to avoid or rescind any such transaction, and to issue an appropriate order or orders to effectuate such purpose.

The Commission was particularly interested in the circumstances surrounding the acquisition of 18,003 shares of Vallecito Water Company (Vallecito) by William J. Hickey (Hickey) an individual, on or about November 4, 1964, the acquisition by Calfin Co. (Calfin), an alter ego of Suburban Water Systems (Suburban), through its agent, Toll & Co., a street name of Security First National Bank, between March 5, 1963, and the date on which Toll & Co. delivered said number of shares to Hickey, and the transfers by Vallecito on its stock records of said shares to Calfin and Toll & Co. during the same period having been found by Decision No. 67261, dated May 26, 1964, in Application No. 45688, to be in violation of Section 852 of the Public Utilities Code and, therefore, null and void and of no effect. Also by Decision No. 68217, dated November 10, 1964, in Application No. 46841, filed July 24, 1964, which denied Suburban's application to purchase Vallecito's common stock, it was ordered, pursuant to San Gabriel's Petition for Order Restraining Further

Transfer of Certain Shares and Share Certificate of Vallecito, (filed August 17, 1964), that neither Suburban, Calfin nor Vallecito sell or otherwise dispose of or transfer or cause to be transferred any of the stock held by any of them or any agent of their to any other or others than those from whom such shares were originally acquired and found by Decision No. 67261 to be unlawfully acquired. The Commission was also interested in the acquisition of Vallecito's stock by any other respondents.

**Hearings**

Public hearings were held before Examiner Warner on July 28 and 29, August 31, September 1, 1965, and before Commissioner Holoboff and Examiner Warner on January 6, 1966, and before Examiner Warner on January 7 and 18, February 8, 9, 17, 18 and 21, and March 14, 15 and 18, 1966, and before Commissioner Holoboff and Examiner Warner on July 7, 1966, and before Examiner Warner on August 17, 1966, in Los Angeles.

The matter of the investigation was submitted on the last-named date subject to the filing of briefs, which were filed on August 31, 1966.

Hearings on Orders to Show Cause why respondents Schumacher and Hickey should not be found to have been in contempt of the Commission by refusing to testify in response to a subpoena issued by the Commission in behalf of the Commission staff were held

before Commissioner Holoboff and Examiner Barnett re Schumacher, on March 28, 1966, in San Francisco,[1] and before Examiner Barnett re Hickey on June 1, 2 and 9, 1966, in San Francisco, and before Commissioner Holoboff and Examiner Barnett re Hickey on July 7, 1966, in Los Angeles.

The record comprises 65 exhibits and in excess of 2,000 pages of testimony, as well as matters incorporated by reference.

**References**

The following matters involving the parties herein have also been incorporated into this record by reference:

Application No. 34880, filed November 16, 1953, of San Gabriel for a certificate in the Puente area, and Application No. 34947, filed December 9, 1953, of San Jose Hills Water Company, (a predecessor of Suburban) for a certificate for the same area, granted to Suburban by Decision No. 49703, dated February 23, 1954.

Application No. 35093, filed January 25, 1954 of San Gabriel for a certificate, including the so-called Kwis Mutual area, granted by Decision No. 50251, dated July 6, 1954.

Application No. 36348, filed September 26, 1955, of Vallecito for a certificate to operate the water

[1]By Decision No. 71087, dated August 2, 1966, Schumacher was fined $500 for contempt and the Order to Show Cause re Hickey was dismissed by Decision No. 71064, of said date, he having finally testified.

system properties of Whittier Extension Mutual Water Company organized in 1914, for the setting of rates, and to issue 38,332 shares of $10 par value common stock for the properties, granted by Decision No. 53277, dated June 26, 1956.

Case No. 7422, filed August 16, 1962, of R. H. Nicholson vs. Vallecito Water Company, for an order to Vallecito to transfer to him his Vallecito stockholdings (11,122 shares) as the chairman of San Gabriel's Board of Directors and holder of 4,000 shares out of a total of 133,000 shares of San Gabriel's stock (R. H. Nicholson, trustee, owned the balance), dismissed by Decision No. 64305, dated September 25, 1962.

Application No. 45443, filed May 17, 1963, of San Gabriel to purchase Nicholson's Vallecito stock and all other Vallecito stock available, granted by Decision No. 66140, dated October 15, 1963.

Application No. 45688, filed August 13, 1963, of Vallecito to sell and Suburban to acquire Vallecito's water system assets, denied by Decision No. 67261.

Application No. 46658, filed May 22, 1964, of Vallecito to deviate from its Main Extension Rule 15 and thereby to exceed the 50 percent advance contract balance limitation of such rule, granted by Decision No. 68077, dated October 20, 1964, but Vallecito ordered to publish notice of its financial inability to further furnish water service pursuant to its Rule 15.

Application No. 46841, supra.

Application No. 46987, filed September 21, 1964, amended November 5, 1964, of San Gabriel to extend its service to industrial properties comprising 230 acres owned and to be leased by Union Pacific Railroad and 5 acres of Lawrence S. Gray and others adjacent to San Gabriel's certificated area but inside Vallecito's certificated area in the City of Industry, granted by Decision No. 69106, dated May 20, 1965.

Application No. 47094, filed November 4, 1964, amended January 22, 1965, of Vallecito to issue preferred stock, denied by Decision No. 69105, dated May 20, 1965.

Application No. 47052, filed October 20, 1964, Petition for Modification of Decision No. 68077, supra, filed November 4, 1964, Application No. 47111, filed November 12, 1964, and Application No. 47138, filed November 20, 1964, of Vallecito to exceed the 50 percent limitation of its Rule 15 to serve additional subdivisions, (including, among other areas, the 235 acres of Union Pacific and others' industrial site granted to San Gabriel by Decision No. 69106, supra,) denied by Decision No. 69381, dated July 7, 1965, and Application No. 47112, filed November 13, 1964, of San Gabriel to acquire Vallecito's preferred stock, dismissed.

Application No. 47790, filed August 3, 1965, amended September 1, 1965, of Vallecito to issue 50,000 shares of common stock on a pro rata basis to its existing shareholders, including Hickey and San

Gabriel and the remaining few others, and application No. 47809, filed August 13, 1965, of San Gabriel to acquire its pro rata share and any other of the proposed issue available, granted by Decision No. 70011, dated November 26, 1965, except that any stock sold to Hickey should be placed in an escrow, approved by the Commission, and not sold by Hickey without obtaining the written consent of the Commission. This decision was stayed by an Order dated December 14, 1965, and on February 15, 1966, Reopened for Further Hearings which were held before Examiner Warner on March 4 and 14, 1966, at Los Angeles, and then re-submitted for decision upon receipt of a late-filed exhibit on or before March 21, 1966. A motion to Dismiss Application No. 47790 was made orally at the latter hearing and filed on March 17, 1966.

**Official Notice**

Official notice is taken of San Francisco County Superior Court Action No. 558551, filed August 30, 1965, which is a suit by Hickey against Vallecito to quiet title to the stock held by him. Notice is also taken of Los Angeles County Superior Court Action No. 883196, filed April 18, 1966, a complaint by San Gabriel against Vallecito regarding the validity of the election of directors at Vallecito's annual shareholders meeting on April 5, 1966.

**Motions**

On September 1, 1965, Vallecito's counsel stated that he would move for a proposed report under Rule 69.

On April 20, 1966, counsel for the Commission staff filed a motion for an interim decision.

**Background**

Vallecito became a public utility water corporation and was authorized to acquire the water system of Whittier Extension Mutual Water Company in June, 1956, by Decision No. 53277, supra. Its service area comprises approximately 3,400 acres in and about the City of Industry, near La Puente, Los Angeles County; it furnishes water service to approximately 5,000 customers; and the potential of its area is some 10,000 domestic services. Suburban's certificated area abuts Vallecito on the east and San Gabriel's on the west.

In the summer of 1960, because of lack of finances, Vallecito determined it to be in the best interest of its stockholders to sell its assets. Negotiations for sale to San Gabriel were conducted but were tabled in November, 1960. None of the principal shareholders wanted to be in the water business and low earnings did not permit servicing a substantial long-term loan. An application for a rate increase was filed on July 6, 1961, which resulted in small relief in the irrigation rate, but no increase in general or other rates.

Exhibit No. 2 shows that in November, 1960, Suburban's and Calfin's President Garnier acquired 368 shares of Vallecito stock which were sold to Suburban on November 12, 1960, but were transferred back to Garnier by Suburban and reflected on Vallecito's stock transfer records on December 22, 1960; on December 31, 1960, said stock was transferred to Calfin. As of June 30, 1961, Calfin had recorded on its books an investment of $11,760 representing 980 shares of Vallecito stock including said 368 shares plus 612 shares acquired from others. Vallecito registered a total of 980 shares in the name of Calfin on March 5, 1963.

On July 12, 1963, 1,919 shares of Vallecito stock were transferred to Toll & Co. as nominee for Security First National Bank, together with 11,565 shares to be equitably held for Calfin. On August 5, 1963, Calfin's 980 shares of stock were transferred to Toll & Co. Between August 5, 1963 and January 17, 1964, 3,539 additional shares were transferred to Toll & Co. bringing its total holdings on behalf of Calfin to 18,003 shares; on November 4, 1964, said 18,003 shares were transferred to William J. Hickey.

Exhibit No. 10 shows that on March 14, 1961, Counsel Gray had advised Garnier that in his opinion the purchase by Calfin of any stock in another public utility would be in violation of Section 852 of the Public Utilities Code.

Exhibit No. 42 shows that, commencing in January, 1962, San Gabriel's Chairman of the Board, Nicholson, began to acquire Vallecito stock, using Santa Anita Turf Club stock valued at $500,000 as collateral for borrowings on his account from Bank of America. By March 5, 1962, which was the record date established for voting rights at Vallecito's annual meeting of April 3, 1962, he had acquired 2,396 shares, which had been transferred into his name. At said annual meeting Counsel Gray, on behalf of Suburban, protested Nicholson's right to vote his shares; the stock was permitted to be voted subject to consideration by election inspectors. On April 10, 1962, Nicholson was informed, by Vallecito's transfer agent, Bank of America, that the transfer of an additional 5,299 shares of Vallecito stock could not be effected since the bank had been informed by Counsel Lassleben not to effect such transfers pending determination of the applicability of Section 852. Then followed an investigation by Vallecito's counsel of Nicholson's acquisition and ownership of Vallecito's stock including an examination of Nicholson's bank accounts and those of San Gabriel; in the meantime, Nicholson filed Case No. 7422, supra, on August 16, 1962.

On November 2, 1962, Counsel Lassleben advised Vallecito's directors that he had found no violation of Section 852 and recommended the transferring of Vallecito's stock to Nicholson and the official recording thereof. His recommendation was adopted.

By May 17, 1963, Nicholson had acquired 11,118 shares of Vallecito stock which were sold to San Gabriel pursuant to the authorization granted by Decision No. 66140, supra.

On April 17, 1963, Utility Investment Company was formed by officers of San Gabriel, including Nicholson, who were aware of the Commission's knowledge in Suburban's rate proceeding, Application No. 43241, of Calfin's ownership of 980 shares of Vallecito stock, and were aware of no finding by the Commission that such holding was unlawful. Utility Investment Company, utilizing advances by San Gabriel, acquired 760 shares of Vallecito stock, which were later sold to San Gabriel ostensibly pursuant to authorization contained in Decision No. 66140, supra, dated October 15, 1963.

As of December 31, 1965, San Gabriel held 13,691 shares or 35.7 percent of Vallecito's outstanding common stock.

Early in 1963, Vallecito's directors had determined not to continue to operate but to sell, and the highest bid was Suburban's at $16.10 per share as a minimum price, and the next highest bid was San Gabriel's at $16.06 per share. On April 23, 1963, Skelton and Entwistle, directors of San Gabriel, were also directors of Vallecito. Between April, 1963, and August, 1963, two other directors of Vallecito were replaced by Dietz and Hannon, who were also directors of Suburban. On August 13, 1963, Application No. 45688, supra, the "assets"

case was filed, and as noted heretofore, said application was denied by Decision No. 67261, dated May 26, 1964. In addition to denying the application, having found that Suburban had failed to show that it was financially able to carry out the terms of the purchase and sale and having failed to show that the granting of the application would be in the best interest either of Vallecito's consumers and proprietors or Suburban's consumers, the Commission further found that the transfer of stock by Vallecito to Calfin, Suburban's alter ego, or Toll & Co. between July 12, 1963, and August 5, 1963, was in violation of Section 852 and null and void and of no effect.

Suburban and Calfin were ordered to report to the Commission in writing their action regarding their unlawful acquisition or their causing of the unlawful acquisition of Vallecito stock, and Vallecito was ordered to report in writing its action regarding its unlawful transfer of its stock to Calfin or to Security First National Bank, Whittier Branch, as holder. Said reports were ordered to be made within 10 days after the effective date of the decision.

In July, 1964 Suburban filed Application No. 46841, supra, for authority to acquire the 18,003 shares of Vallecito's stock equitably held by Calfin and registered in the name of Toll & Co.

Garnier was elected president of Vallecito in July, 1964. He was also president of Suburban, Southwest

Water Company, East Pasadena Water Company, Western Pacific Sanitation Company, (Western Pacific) a sewer service company, and other public utility water corporations and corporations at that time. He was also either secretary or president of Calfin. His election gave Suburban control of Vallecito's Board of Directors with Suburban's officers, Garnier, Dietz and Hannon, constituting the majority of three of Vallecito's five members.

On August 17, 1964, San Gabriel filed its Petition for Order Restraining Further Transfer of Certain Shares and Share Certificates of Vallecito Water Company.

On November 4, 1964, the shares held by Toll & Co. for Calfin were acquired by Hickey.

Suburban's Application No. 46841, supra, to acquire certain Vallecito stock was denied by Decision No. 68217, supra, dated November 10, 1964, and Suburban, Calfin and Vallecito were ordered not to sell or otherwise dispose of or transfer, or cause to be transferred any of the stock held by any of them or any agent of theirs to any other or others than those from whom such shares were originally acquired and found by Decision No. 67261 to be unlawfully acquired.

**Circumstances of Hickey's Acquisition**

Counsel Gray testified that on June 11, 1964, he and Dietz, on behalf of Calfin, met with three members of this Commission, individually, to ascertain what Calfin should or could do relative to the stock of Vallecito which which it then held. Based on his opinion and not on any specific directions by any of the Commissioners, he advised Calfin to divest itself of the stock.

Calfin's president, Garnier, who was in New York, testified that after a conference with Gerald S. Toll, vice president and trust officer of Security First National Bank, he "put out the word to get rid of the stock." (Tr. pp. 176 & 177 in Application No. 47094 previously incorporated herein.) Garnier further testified that he was not in California; he was in the East; and he knew nothing about the sale of shares of stock and he signed no documents in connection therewith. (Tr. p. 178 in Application No. 47094.) Garnier claimed that he did not tell the bank in writing to dispose of the shares and that he, as an officer of Calfin, did not communicate with the bank authorizing it to dispose of or transfer the shares to Hickey. (Tr. pp. 188 & 189 in Application No. 47094.) Calfin's secretary, Dietz, claimed that he had been on a fishing trip in New Mexico and had nothing whatever to do with the stock transfer transaction. (Tr. pp. 374 & 387 in Application No. 47094.) The testimony of these two witnesses is in direct conflict with Exhibits Nos. 3 and 6 in this investigation.

The record shows that Garnier's assistant, George H. McMillan, who was an employee of Calfin and treasurer and director of Western Pacific, arranged for a $300,000 loan to Western Pacific by Security First National Bank to finance the acquisition by an individual of the 18,003 shares of Vallecito stock held by Toll & Co. for Calfin.

On November 4, 1964, McMillan, pursuant to written authority, Exhibit No.3, from Dietz and Garnier of Calfin, authorized Calfin's counsel, Pippin, to accomplish the transfer of Stock Certificate No. 1024 to Hickey.

Earlier, on October 5, 1964, as shown in Exhibit No. 8, McMillan, acting for Vallecito, had obtained from Security First National Bank a consent to an amendment of Vallecito's Articles of Incorporation authorizing changes in capitalization to permit the issuance of a total of 100,000 shares of common stock.

Exhibit No. 57 is a copy of a promissory note dated November 3, 1964, issued by Hickey to Schumacher and Hale in the amount of $289,848.30 together with an agreement pledging 18,003 shares of Vallecito stock. Annual 6-½ percent interest has been payable, but remains unpaid; Schumacher and Hale having granted extensions. Schumacher was Western Pacific's counsel, is Garnier's personal attorney, and acted as counsel for McMillan on the last day of hearing on this investigation. Schumacher declined to disclose his client in

the movement of the shares of stock and the $289,848.30, although Hickey testified that Schumacher, as a friend, had apprised him of the availability of said shares and their price and worth. McMillan testified that he picked up a cashier's check in the amount of $289,848.30 at the office of Schumacher and Hale in Beverly Hills and later deposited it to Calfin's account at United California Bank in Covina. Calfin then paid off its debt to Security First National Bank, which had been incurred to finance Calfin's purchase of the 18,003 shares of Vallecito stock.

Loan No. 7-4663 in the amount of $300,000, Exhibit No. 58, is dated November 2, 1964, and Exhibit No. 12 is a copy of Security Bank's Report of Loan Made to Western Pacific, guaranteed by Camille A. Garnier. The original purpose of the loan is shown to "invest in public utility stocks" and source of repayment of loan is "$50,000 from bond money; balance from sale of Great Northern or sale of additional stock." The record is not clear about Great Northern's functions, and it may not now be operating. It had some connection with Western Pacific Sanitation Company, now Western Pacific Services whose offices are now in Las Vegas, Nevada. Western Pacific and its subsidiaries have sewer and water operations in Simi Valley, Ventura County, Northern California, Alaska, Colorado, and possibly elsewhere.

**Vallecito's Operations**

As of March, 1966, Vallecito had begun to replace its gas engine-driven pumps, with electric-driven pumps, had begun the installation of central telemetering equipment to control the operation of pumps, and had begun the replacement of worn-out concrete transmission mains. Such capital improvements were financed by a $275,000, 6.5 percent short-term loan from Salesmen Realty, Inc., purportedly of Denver, Colorado, whose existence, identity, location, and function are not clear except that it may be related to Great Northern Services or Western Pacific Services. Whether or not either principal or interest has been paid was not shown, except that, as of December 31, 1965, interest accrued amounted to $12,701.82. As of December 31, 1964, it was $2,663.04. By purchasing at discount certain construction advance contracts from subdividers, Vallecito's ratio of advances to net utility plant had been reduced to 44.7 percent as of December 31, 1965, and the utility was able to accept applications for extension of water service being demanded by subdividers within its certificated area.

A resolution by Vallecito's Board of Directors to apply for a general rate increase, adopted in April, 1963, as consideration for Suburban's willingness to purchase Vallecito's assets, has not been rescinded.

At a special meeting of Vallecito's Board on March 11, 1966, Counsel Downs was appointed a director upon Dietz's resignation; Tom G. Richards, General Man-

ager, was appointed treasurer; and Downs moved for the adoption of the resolution withdrawing Application No. 47790, supra.

As shown in its annual reports to the Commission, Vallecito's net operating revenues for the year 1961 were $16,212.31; for 1962, $13,949.17; for 1963, $35,-121.18; for 1964, $60,431.38; and for 1965, $47,218.31. Earned surplus was $20,583.49 at the end of 1961, and $119,824.89 at the end of 1965. Net utility plant had increased from $953,307.85 at the beginning of 1961 to $2,305,743.78 at the end of the year 1965.

**Findings**

The Commission finds as follows:

1. Vallecito's motion for a proposed report should be denied.

2. The motion for an interim decision filed by the Commission staff should be denied.

3. William J. Hickey holds 18,003 shares of Vallecito's total of 38,332 outstanding shares of common stock representing 47 percent and controls the election of directors, appointment of officers, and management of Vallecito.

4. Hickey acquired 18,003 shares of Vallecito stock from Toll & Co., nominee of Security First National Bank which equitably held said shares for Calfin Co., alter ego of Suburban Water Systems, a public utility

water corporation, which had borrowed approximately $279,000 from Security First National Bank to lend to Calfin to purchase said shares, and transfer them to Toll & Co. as holder and as security for Suburban's loan.

5. (a) Calfin, Suburban's alter ego, arranged with Security First National Bank for the latter to totally finance Hickey's stock purchase from Toll & Co. by a loan to Western Pacific Sanitation Company and a loan by Schumacher and Hale to Hickey in the amount of $289,848.30 (18,003 shares @ $16.10 per share).

(b) Hickey is an agent for the management and operation of Vallecito by Suburban.

(c) Hickey did not acquire said shares in good faith.

6. The 18,003 shares acquired by Hickey were unlawfully held by Calfin, and the issuance and transfer by Vallecito of its Stock Certificate No. 1024 to Hickey was null and void and of no effect.

**Conclusion**

The Commission concludes that Vallecito should be ordered to reverse its stock transfer records and cancel all transfers of stock to Calfin Co. and Toll & Co. and William J. Hickey.

Further findings with respect to the lawfulness of the acquisition by other respondents of shares of Vallecito stock, and further conclusions thereupon, will be the subject of a separate decision herein.

## INTERIM ORDER

IT IS ORDERED that:

1. The motion of Vallecito for a proposed report is denied.

2. The motion of the Commission staff for an interim order is denied.

3. The transfers of 18,003 shares of its common stock by Vallecito Water Company to Calfin Co. and Toll & Co. were and are null and void and of no effect.

4. Vallecito shall, within 10 days after the effective date hereof, reverse its stock transfer records and cancel all transfers of stock to Calfin Co. and Toll & Co., and shall, within 5 days thereafter, report in writing to the Commission its compliance herewith.

5. The transfer of Stock Certificate No. 1024, for 18,003 shares of Vallecito's common stock by Vallecito Water Company to William J. Hickey was and is null and void and of no effect.

6. Vallecito shall, within 10 days after the effective date hereof, reverse its stock transfer records and cancel the transfer to William J. Hickey of Stock Certificate No. 1024, covering 18,003 shares of Vallecito's common stock.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 30th day of DECEMBER, 1966.

PETER E. MITCHELL,
President

FREDERICK B. HOLOBOFF

A. W. GATOV
Commissioners

Commissioner George G. Grover did not participate in the disposition of this proceeding.

Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.

# APPENDIX C

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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| Investigation on the Commission's own motion into the rates, rules, regulations, operations, contracts, practices, services, facilities, equipment, securities, finances, and financial transactions of Vallecito Water Company, Suburban Water Systems, Calfin, Victoria Mutual Water Company, and San Gabriel Valley Water Company, corporations; and into certain transactions between said corporations and Camille A. Garnier, C. H. Dietz, Walker Hannon, R. H. Nicholson, Frederick R. Schumacher, William J. Hickey, Toll & Co., Security First National Bank, a corporation, (Whittier Branch), and Bank of America National Trust and Savings Association, a corporation. | Case No. 8086 |

[Filed Dec. 15, 1964, Public Utilities Commission, San Francisco office].

### ORDER INSTITUTING INVESTIGATION

Good cause appearing, IT IS ORDERED that an investigation on the Commission's own motion be and the same is hereby instituted into the rates, rules, regulations, operations, contracts, practices, services, facilities, equipment, securities, finances, and financial

transactions of Vallecito Water Company, a corporation, (hereinafter Vallecito), Suburban Water Systems, a corporation, (hereinafter Suburban), Calfin, a corporation, Victoria Mutual Water Company, a corporation, (hereinafter Victoria), San Gabriel Valley Water Company, a corporation, (hereinafter San Gabriel), all of whom are hereby designated respondents herein, and into certain transactions between said corporations and with the following named persons, all of whom are also hereby designated respondents herein, to wit, Camille A. Garnier, C. H. Dietz, Walker Hannon, R. H. Nicholson, Frederick R. Schumacher, William J. Hickey, Toll & Co., Security First National Bank, a corporation, (Whittier Branch), and Bank of America National Trust and Savings Association, a corporation, for the following purposes:

1. To determine whether any or all of the rates, rules, regulations, operations, contracts, practices, services, facilities and equipment of Vallecito, Suburban, Victoria, San Gabriel, or any of them, are reasonable, adequate or lawful, and to establish or prescribe reasonable rates, rules, regulations, operations, contracts, practices, services, facilities and equipment.

2. To determine all the facts and circumstances surrounding the purported sale or transfer of shares of stock of respondent Vallecito to any of the other respondents.

3. To determine what steps should be taken by any or all of the respondents to avoid or rescind any such sale or transfer, and to issue an appropriate order or orders to effectuate such purpose.

4. To determine what transactions have been entered into by any of the respondents, or any other person, purportedly in reliance upon any such sale or transfer, and the good faith of any of the respondents in entering into any such transaction.

5. To determine what steps should be taken by any of the respondents to avoid or rescind any such transaction, and to issue an appropriate order or orders to effectuate such purpose.

IT IS FURTHER ORDERED that respondents Suburban and Calfin file a report in writing under oath with the Commission within twenty days after the date of this order containing the names and addresses of all persons or corporations from whom they purchased or caused to be purchased for their benefit any shares of stock of Vallecito, all persons or corporations who may have lent money or extended credit to Suburban or Calfin in reliance upon the apparent ownership, legal or equitable, of such stock by Suburban or Calfin, and all persons or corporations to whom Suburban or Calfin may have offered, sold, contracted to sell, transferred or pledged any such stock.

IT IS FURTHER ORDERED that public hearings in this proceeding be held before such Commissioner or Examiner and at such time and place as may hereafter be designated.

The Secretary is directed to cause a certified copy of this order to be personally served upon each of the respondents above named.

Dated at San Francisco, California, this 15th day of DECEMBER, 1964.

FREDERICK HOLOBOFF
President

PETER E. MITCHELL
EVERETT C. McKEAGE
GEORGE G. GROVER
Commissioners

Certified as a True Copy
s/E. H. Gielocy
Assistant Secretary
Public Utilities Commission
State of California

BEFORE THE
PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA

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| Investigation on the Commission's own motion into the rates, rules, regulations, operations, contracts, practices, services, facilities, equipment, securities, finances, and financial transactions of Vallecito Water Company, Suburban Water Systems, Calfin, Victoria Mutual Water Company, and San Gabriel Valley Water Company, corporations; and into certain transactions between said corporations and Camille A. Garnier, C. H. Dietz, Walker Hannon, R. H. Nicholson, Frederick R. Schumacher, William J. Hickey, Toll & Co., Security First National Bank, a corporation, (Whittier Branch), and Bank of America National Trust and Savings Association, a corporation. | Case No. 8086 |

BENNETT, William M., Commissioner, Dissenting Opinion:

I dissent for the reasons set forth in my dissenting opinion to Decision No. 68217 dated November 13th, 1964.

Dated at San Francisco, California, this 17th day of December, 1964.

/s/WILLIAM M. BENNETT
WILLIAM M. BENNETT
Commissioner